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SUBJECT: BRAZILIAN CONGRESS CHOOSES DARK HORSE AS NEW HOUSE SPEAKER

1. (SBU) SUMMARY. In a surprising and potentially serious setback for the Lula administration, the Brazilian Chamber of Deputies (lower house) on February 14 chose dark horse Federal Deputy Severino Cavalcanti (Progressive Party - 'PP') to be its next Speaker. Cavalcanti took over immediately and will preside over the Chamber for the next two years -- the second half of President Lula's term. The choice came after a hotly-contested campaign in which Lula's Workers' Party (PT) failed to settle on a single candidate. Cavalcanti's PP party is the right-most member of President Lula's governing coalition, so the Speakership has not slipped completely out of the administration's grasp, but his victory over two PT candidates could complicate the administration's legislative agenda and is clearly a punishment for the PT's inability to resolve its internal schisms. Cavalcanti is a back-bencher who has not established a record during his ten years in Congress. In his home state of Pernambuco he is seen as an old-style politico without core beliefs. Thus, Cavalcanti is unlikely to be as influential as outgoing Chamber Speaker Joao Paulo Cunha (PT). Separately, the Brazilian Senate easily chose Renan Calheiros from the PMDB party's pro-Lula wing as the new Senate President. The 2005 Congressional session is now underway. END SUMMARY.

SEVERINO CAVALCANTI IS THE NEW SPEAKER

2. (SBU) Late on February 14, after two rounds of voting, the Brazilian Chamber of Deputies selected an undistinguished back-bencher to be its next Speaker. Severino Cavalcanti of Pernambuco, aged 74, is a high school graduate who has spent his entire career with what is now the right-wing Progressive Party (PP) --which at the time he joined was the party of Brazil's military regime. Cavalcanti is now in his third four-year term in Congress and has an undistinguished record, never chairing a committee or sponsoring significant legislation. He is not highly regarded even in his home state of Pernambuco, where pundits and politicians we spoke with painted a portrait of a career politico with no real beliefs or projects and who is seen as not completely trustworthy. He is seen as a passionless politician from the mold of traditional northeastern "colonels" whose survival is rooted in backroom deal-making. Cavalcanti's home base is the semi-rural "Mata Norte" region of Pernambuco's interior, and he also wins votes from the state's conservative evangelicals.

PT SCHISM LEAVES ROOM FOR A DARK HORSE

3. (SBU) The failure of the PT to elect its own Speaker is easily explained: it never settled on one candidate. Under a long-standing unwritten rule (the "Rule of Proportionality"), Brazilian legislatures at all levels allow the party with the largest caucus to nominate the Speaker, who is generally approved in a floor vote without serious objection even from the opposition parties. In a domino effect, this same rule then foresees selection of the Chamber's other leadership posts --and the committee chairs-- according to caucus size, so that opposition parties are guaranteed of getting a few choice posts if they play by the rule. The Workers' Party, with 90 Federal Deputies in the 513-seat Chamber, is the largest caucus and easily elected Joao Paulo Cunha to serve as Speaker in 2003-2005.

4. (SBU) But Speakers can serve only one two-year term, so in a bitter internal struggle last month, the PT selected Federal Deputy Luis Eduardo Greenhalgh to succeed Cunha as Speaker. Despite the Rule of Proportionality, Greenhalgh faced resistance to his candidacy: he is from Sao Paulo at a time when many fear the government has become too Sao Paulo-centric; he is seen as aloof and arrogant; and he is a human rights lawyer who represented the Landless Movement, alienating landowners and conservatives. As soon as the PT named Greenhalgh its official candidate, another PT Deputy, Virgilio Guimaraes, announced himself as the party's "alternate candidate". In contrast to Greenhalgh, Guimaraes is gregarious, from Minas Gerais, and is an old-style union boss popular with the Chamber's rank-and-file. Despite concerted arm-twisting by President Lula and nearly every other Workers' Party heavyweight in the past few weeks, Guimaraes refused to give up his candidacy. Three other Deputies, including Severino Cavalcanti, then saw the

confusion in the PT and threw their names into the ring as well.

15. (SBU) The PT's failure to settle on one candidate annulled the "Rule of Proportionality". With two PT candidates in the running, other parties could not be induced to vote for Greenhalgh. In the first round of the floor vote, Greenhalgh received 217 votes, 50 short of victory. Cavalcanti qualified for the second round with 124 votes, while challenger Guimaraes was knocked out with 117 votes. In the second round which lasted late into the night, Cavalcanti handily beat Greenhalgh 300-195, and the PT's nightmare was realized. This is the first time that the largest party has not held the Speakership. Worse, the domino effect of the selection system left the PT completely shut out of the Chamber's seven leadership posts. After Cavalcanti, the Chamber's First Vice President will be Inocencio Oliveira (PMDB-Pernambuco). Thus, the PT will have to find ways to exercise influence at the committee chair level, where it will be well represented.

THE AUTOPSY -- THE PT POINTS FINGERS

16. (SBU) The PT has only itself to blame. Guimaraes' insistence on challenging the official PT candidate broke the discipline of the Rule of Proportionality and allowed even parties within the PT's coalition to vote at will. Guimaraes is likely to be punished for inflicting this mess on his party and President Lula, and there is clearly sentiment for a severe sanction among PT members with whom we spoke. Some also note that the PT's defeat is based in a long-running debate that clogged Congress for much of 2004 --an attempt to allow reelection of the Chamber Speaker and Senate President-- that short-circuited the PT's internal debate over who would be its nominee for Speaker.

NEW SENATE PRESIDENT IS RENAN CALHEIROS

17. (SBU) In the Senate, the voting was much smoother. The PMDB is the Senate's largest party, and Renan Calheiros of the PMDB's pro-Lula wing was unopposed in his bid for the Senate Presidency. Calheiros, from Alagoas state, is generally well-regarded but lacks the well-honed political skills of his predecessor, Senator Jose Sarney.

CABINET SHUFFLE HANGING FIRE

18. (SBU) President Lula planned to shuffle his cabinet ministers last month in a way that would reward loyal coalition parties with a greater cabinet presence. He held off to see how the parties supported the PT's candidate for Speaker. With the confusion surrounding Cavalcanti's selection, the calculus of the cabinet shuffle has changed, meaning Lula is likely to wait a bit longer before making any moves.

COMMENT - WHAT THIS MEANS FOR LULA'S AGENDA

19. (SBU) The Speaker controls the Chamber's agenda, decides which bills come to a vote, resolves procedural disputes, and --after the Vice President-- is the second in line to replace the President. Joao Paulo, PT Mayor of Recife, the capital of Cavalcanti's home state of Pernambuco, did not mince words. Hours after the Chamber vote, he slumped in his chair and told us that Cavalcanti's selection was "the worst defeat yet for this government". Joao Paulo said he has never trusted Cavalcanti going back to when they served together in the state assembly. He observed that "now every bill that Lula sends to Congress will require negotiations and compromises". Luciana Santos, Mayor of the nearby city of Olinda, commented that Cavalcanti "has no ideology and no projects" --a "physiologist" in the Brazilian lexicon. She noted that Cavalcanti is derisively called the "leader of the Congressional union" because his biggest issue is to raise pay for congressmen.

110. (SBU) Cavalcanti may rise to the occasion and prove himself a skilled leader and statesman. Deputy Roberto Jefferson, President of the coalition's PTB party noted, "Severino isn't in the opposition. He belongs to the coalition. There's no crisis at all. He'll work with coalition party leaders and administration officials." In his acceptance speech, Cavalcanti himself said, "There is no way that I'm looking to create obstacles" for Lula. Yet not many in Lula's coalition are optimistic today. The administration has struggled mightily over the past two years to pass its extensive legislative agenda, suffering some black eyes and often making unwelcome compromises on the substance of bills. The early assessment is that Cavalcanti's election as Speaker of the Chamber will only complicate Lula's efforts over the next two years.

111. (U) AMCONSUL Recife assisted in this report.

